

Message Text

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TAGS: EFIN, UK

SUBJECT: PRESS STATEMENT ON U.K. PROGRAM

1. FOLLOWING IS TREASURY RELEASE OF SECRETARY SIMON'S
DECEMBER 15 STATEMENT TO THE PRESS ON THE NEW BRITISH
PROGRAM. QUOTE

2. SECRETARY SIMON SAID THAT HE WAS VERY PLEASED WITH THE
SPECIFICS OF THE UNITED KINGDOM ECONOMIC PROGRAM OUTLINED
BY CHANCELLOR HEALEY. HE NOTED IT IS A COMPREHENSIVE
APPROACH AND REQUIRES CAREFUL ANALYSIS IN ORDER TO GAUGE
ITS FULL IMPLICATIONS. THE SECRETARY SAID THE PROPOSED
PROGRAM IS EXCELLENT AND IT REPRESENTS A SOUND AND REALIS-
TIC STRATEGY FOR THE U.K., RATHER THAN A ONE-YEAR TRANSITORY
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EFFORT. THE UNITED STATES WILL STRONGLY SUPPORT IT IN THE
IMF.

3. IT IS CLEAR THAT FINANCIAL CONDITIONS AND THE ABILITY
OF THE ECONOMY TO GROW ARE CLOSELY RELATED AND THE PHILOSO-
PHY OF REDUCING THE PUBLIC SIDE OF THE ECONOMY SO THAT THE

PRIVATE SIDE CAN GROW IS SENSIBLE. THE CUT IN THE GOVERNMENT DEFICIT IS OF PARTICULAR SIGNIFICANCE, THEREFORE, AND THE SHARP REDUCTION IN THE PUBLIC SECTOR BORROWING REQUIRE-

MENT FROM 9 OF GROSS DOMESTIC PRODUCT THIS YEAR TO ABOUT 5 WILL PROVIDE A SOUND BASIS FOR ECONOMIC GROWTH. THIS CUT IS TO BE ACHIEVED BY FURTHER REDUCING GOVERNMENT SPENDING BY 1-1/2 TO 2 BILLION POUNDS EXPRESSED IN 1976 PRICES. TAX INCREASES, ASIDE FROM SMALL CHANGES IN SOME INDIRECT TAXES, HAVE BEEN AVOIDED AND THE CHANCELLOR INDICATED THAT HE IS LOOKING TOWARD A REDUCTION NEXT YEAR IN BRITISH INCOME TAX.

4. THE SECRETARY SAID HE SUPPORTED THE IDEA OF A TWO YEAR PROGRAM, WHICH REPRESENTED A RESPONSIBLE AND SUSTAINED APPROACH. THE PROGRAM WILL BE PHASED WITH TRANCHES OF IMF CREDIT, AND THE U.S. HAS AGREED TO PROVIDE \$500 MILLION IN SWAPS DURING THE PERIOD IMMEDIATELY AHEAD IN ANTICIPATION OF LATER DRAWINGS FROM THE IMF.

5. SECRETARY SIMON SAID HE CONCURRED IN THE CHANCELLOR'S STATEMENT THAT THERE WAS A GENERAL DESIRE ON THE PART OF THOSE CONCERNED TO ACHIEVE A SATISFACTORY ARRANGEMENT FOR THE STERLING BALANCES, AND THAT IT WOULD "BE POSSIBLE TO REACH AGREEMENT BEFORE LONG." END QUOTE
ROBINSON

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